

1410

RECEIVED
LEGISLATIVE AUDITOR

04 JUL -1 AM 11:35

**GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH**

(A Component Unit of the Tangipahoa Parish Council)

Amite, Louisiana

ANNUAL FINANCIAL REPORT

As of and for the Year Ended

December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9.1.04

GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH
(A Component Unit of the Tangipahoa Parish Council)
Amite, Louisiana

ANNUAL FINANCIAL REPORT

As of and for the Year Ended
December 31, 2003

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| ACCOUNTANT'S COMPILATION REPORT | 1 |
| REQUIRED SUPPLEMENTAL INFORMATION (PART 1) | |
| Management's Discussion and Analysis | 2 |
| BASIC FINANCIAL STATEMENTS | |
| Government Wide Financial Statements | |
| Statement of Net Assets | 6 |
| Statement of Activities and Changes in Net Assets | 7 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 8 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 9 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds- to the Statement of Activities | 10 |
| NOTES TO THE FINANCIAL STATEMENTS | 11 |
| REQUIRED SUPPLEMENTARY INFORMATION (PART II) | |
| Budgetary Comparison Schedule - General Fund | 18 |
| AGREED-UPON PROCEDURES | |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 20 |
| Louisiana Attestation Questionnaire | 24 |
| Summary Schedule of Prior Attestation Findings | 26 |
| Corrective Action Plan for Current Year Attestation Findings | 27 |



LEE GRAY

CERTIFIED PUBLIC ACCOUNTANT

601 COURTNEY DRIVE
P. O. Box 368
AMITE, LOUISIANA 70422

PHONE (985) 748-9067
FAX (985) 748-4370
E-MAIL: LEEGRAY@I-55.COM

Board of Commissioners
Gravity Drainage District No. 4
of Tangipahoa Parish
Tangipahoa Parish Council
Amite, Louisiana

I have compiled the accompanying basic financial statements of the Gravity Drainage District No. 4 of Tangipahoa Parish, a component unit of the Tangipahoa Parish Council, as of and for the year ended December 31, 2003, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis on page 2 has been prepared by Gravity Drainage District No. 4 of Tangipahoa Parish which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have not compiled, reviewed, or audited the supplementary information and, accordingly, assume no responsibility for it.

The Budgetary Comparison Schedule on page 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have compiled the Budgetary Comparison Schedule from information that is the representation of management of Gravity Drainage District No. 4 of Tangipahoa Parish, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Certified Public Accountant

June 15, 2004

Gravity Drainage District No. 4 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended December 31, 2003

INTRODUCTION

Gravity Drainage District No. 4 of Tangipahoa Parish is a drainage district created by the Tangipahoa Parish Council for the purpose of opening and maintaining all natural drains in the district where drainage is accomplished using the natural force of gravity.

Management's discussion and analysis (MD&A) is a required element of the new reporting model adopted by the Government Accounting Standard's Board (GASB) in its statement number 34. The purpose of the MD&A is to provide an overview of the financial activities of the district based on currently known facts, decisions, or conditions.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2003, the district's net assets increased by \$15,957 and resulted in ending net assets of \$189,108 or a increase of 9 percent.

Total spending for the governmental activity was \$103,817 for the year, which was \$15,957 less than the taxes and other revenues received for this activity.

OVERVIEW OF ANNUAL FINANCIAL REPORT

This report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required budgetary comparison information. The basic financial statements include two kinds of statements that present different views of the district:

- Government-Wide Financial Statements
- Fund Financial Statements

Government-Wide Financial Statements

The annual financial report of the district includes two government-wide financial statements. These statements *provide information about the district using accounting methods similar to those used by private sector companies.* These statements offer short and long-term financial information about its activities. The two government-wide financial statements are as follows:

The Statement of Net Assets presents information on all of the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The Statement of Activities presents information showing how the district's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The purpose of the Statement of Activities is to demonstrate the financial reliance of the governmental type activities or functions of the district on revenues provided by the taxpayers.

Gravity Drainage District No. 4 of Tangipahoa Parish

MANAGEMENT'S DISCUSSION AND ANALYSIS continued
As of and for the year ended December 31, 2003

Fund Financial Statements

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The district uses two governmental type funds, the General Fund and Capital Projects Fund, to ensure and demonstrate compliance with finance-related laws and regulations. Governmental type funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The basic financial statements can be found on pages 6 to 10 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 to 16 of this report.

FINANCIAL ANALYSIS

Government-wide Financial Statement Analysis

The following table reflects the condensed Statement of Net Assets for 2003. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes:

Gravity Drainage District No. 4 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Condensed Statement of Net Assets
December 31, 2003

| | |
|---------------------|------------------|
| Assets: | |
| Current Assets | <u>\$200,281</u> |
| Total Assets | <u>200,281</u> |
| Liabilities: | |
| Current Liabilities | <u>11,173</u> |
| Total Liabilities | <u>11,173</u> |
| Net Assets: | |
| Unrestricted | <u>\$189,108</u> |

Gravity Drainage District No. 4 of Tangipahoa Parish

MANAGEMENT'S DISCUSSION AND ANALYSIS continued
As of and for the year ended December 31, 2003

The table below provides a summary of the changes in net assets for the year ended December 31, 2003:

Gravity Drainage District No. 4 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Condensed Statement of Activities and Changes in Net Assets
For the year ended December 31, 2003

| | |
|------------------------|------------------|
| Expenses | \$103,817 |
| General Revenues | <u>119,774</u> |
| Change in Net Assets | 15,957 |
| Net Assets - Beginning | <u>173,151</u> |
| Net Assets - Ending | <u>\$189,108</u> |

The district's net assets increased by \$15,957 during the current fiscal year, primarily due to the April 5, 2003, election where voters approved the renewal of a 2 mills, five year tax and a 3 mills ten year ad valorem tax. The millage increased from 4.32 mills to 5.0 mills.

Fund Financial Statement Analysis

As noted earlier, the district uses two governmental fund types, the General Fund and Capital Projects Fund, to ensure and demonstrate compliance with finance-related legal requirements.

General Fund:

The focus of the district's general fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the district's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the district's general fund reported an ending fund balance of \$100,870, an increase of \$12,847 in comparison with the prior year. All of this amount constitutes unreserved fund balance, which is available for spending at the district's discretion.

Capital Projects Fund:

The focus of the district's capital projects fund is to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the general fund.

As of the end of the current fiscal year, the district's capital projects fund reported an ending fund balance of \$88,238, an increase of \$3,110 in comparison with the prior year. All of this amount constitutes unreserved fund balance, which is available for spending at the district's discretion.

The total governmental fund balances (general and capital projects funds) of \$189,108 at December 31, 2003, increased \$15,957 during 2003. The key factor contributing to this increase was an increase in the millage rate from 4.32 mills to 5.00 mills for 2003 which resulted in \$19,458 additional tax revenue.

Gravity Drainage District No. 4 of Tangipahoa Parish

MANAGEMENT'S DISCUSSION AND ANALYSIS concluded
As of and for the year ended December 31, 2003

BUDGETARY HIGHLIGHTS

The district demonstrated legal compliance by adopting its budget in accordance with provisions of the Local Government Budget Act. As required by state law, actual revenues and other sources were within 5% of budgeted revenues and other sources. However, actual expenditures exceeded budgeted expenditures by 7.27%. During the year, \$7,000 was transferred from the Capital Projects Fund to the General Fund. The district failed to amend the budget to include the \$7,000 in the canal maintenance category. The money was transferred because of expenditures that were incurred as a result of tropical storms.

For the general fund, actual revenues and other sources exceeded the final budgeted amounts by \$18,998. Actual expenditures were over the final budgeted amounts by \$6,151. The district amended its budget three times for 2003.

CAPITAL ASSETS

At December 31, 2003, the district's capital assets were \$2,344 reduced by accumulated depreciation of \$2,344 resulting in net capital assets of zero. More detailed information about the district's capital assets is presented in Note 6 of the financial statements.

DEBT

The Drainage District has no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The two ad valorem tax millages received by the district (2 mills and 3 mills) do not expire until 2007 and 2012, respectively. Therefore, the district's 2004 revenues should remain basically identical to 2003.

The district's 2004 budget reflects an overall increase in expenditures. Planned expenditures for canal maintenance reflect a modest increase to cover the cost of labor. More work to drainage systems is expected to be done in 2004. Election expense has no amount budgeted because an election will not be taking place in 2004. Insurance expense increased to reflect the rising cost of worker's compensation insurance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the district's finances. Questions about this report or requests for additional information may be sent to Salvador Genusa, Chairman of the Board of Commissioners, Gravity Drainage District No. 4, 9040 Hwy 441, Amite, Louisiana 70422.

GRAVITY DRAINAGE DISTRICT NO. 4
 OF TANGIPAHOA PARISH
 (A Component Unit of the Tangipahoa Parish Council)
 Amite, Louisiana

STATEMENT OF NET ASSETS
 December 31, 2003

| | <u>Governmental Activity</u> |
|---|----------------------------------|
| ASSETS | |
| Cash | \$ 35,218 |
| Investments | 50,000 |
| Receivables | <u>115,063</u> |
| Total Assets | <u>\$200,281</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities | |
| Accounts payable | \$ 63 |
| Taxes paid under protest | 6,529 |
| Deductions from ad valorem tax | <u>4,581</u> |
| Total Liabilities | <u>11,173</u> |
| Net Assets | |
| Unrestricted | <u>189,108</u> |
| Total Net Assets | <u>189,108</u> |
| Total Liabilities and Net Assets | <u>\$200,281</u> |

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 4
 OF TANGIPAHOA PARISH
 (A Component Unit of the Tangipahoa Parish Council)
 Amite, Louisiana

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2003

| | <u>Governmental Activity</u> |
|---|----------------------------------|
| EXPENSES | |
| General government | \$ 29,197 |
| Public works - drainage | <u>74,620</u> |
| Total Expenses | <u>103,817</u> |
| GENERAL REVENUE | |
| Ad valorem taxes | 112,112 |
| State revenue sharing | 6,479 |
| Interest | <u>1,183</u> |
| Total General Revenues | <u>119,774</u> |
| Change in Net Assets | 15,957 |
| Net Assets - beginning of the year | <u>173,151</u> |
| Net Assets - end of the year | <u>\$ 189,108</u> |

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH
(A Component Unit of the Tangipahoa Parish Council)
Amite, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2003

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 17,781 | \$17,437 | \$ 35,218 |
| Investments | - | 50,000 | 50,000 |
| Receivables | <u>93,346</u> | <u>21,717</u> | <u>115,063</u> |
| TOTAL ASSETS | <u>\$111,127</u> | <u>\$89,154</u> | <u>\$200,281</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$ 63 | \$ - | \$ 63 |
| Taxes paid under protest | 6,529 | - | 6,529 |
| Deductions from ad valorem taxes payable | <u>3,665</u> | <u>916</u> | <u>4,581</u> |
| Total Liabilities | <u>10,257</u> | <u>916</u> | <u>11,173</u> |
| Fund balance: | | | |
| Unreserved - undesignated | <u>100,870</u> | <u>88,238</u> | <u>189,108</u> |
| Total Fund balance | <u>100,870</u> | <u>88,238</u> | <u>189,108</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$111,127</u> | <u>\$89,154</u> | <u>\$200,281</u> |

See accompanying notes and accountant's compilation report.

GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH
(A Component Unit of the Tangipahoa Parish Council)
Amite, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|
| REVENUES | | | |
| Ad valorem taxes | \$ 89,777 | \$ 22,335 | \$112,112 |
| Intergovernmental: | | | |
| State revenue sharing | 6,479 | - | 6,479 |
| Interest earnings | <u>342</u> | <u>841</u> | <u>1,183</u> |
| Total Revenues | <u>96,598</u> | <u>23,176</u> | <u>119,774</u> |
| EXPENDITURES | | | |
| General government: | | | |
| Salaries and related benefits | 4,527 | - | 4,527 |
| Compensation paid board members | 5,800 | - | 5,800 |
| Election Expense | 9,927 | - | 9,927 |
| Official journal | 1,487 | - | 1,487 |
| Office expense | 275 | - | 275 |
| Professional fees | 2,600 | - | 2,600 |
| Statutory charges | 3,665 | 916 | 4,581 |
| Public works - drainage | <u>62,470</u> | <u>12,150</u> | <u>74,620</u> |
| Total Expenditures | <u>90,751</u> | <u>13,066</u> | <u>103,817</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>5,847</u> | <u>10,110</u> | <u>15,957</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 7,000 | | 7,000 |
| Operating transfers out | <u>-</u> | <u>(7,000)</u> | <u>(7,000)</u> |
| Total other financing sources (uses) | <u>7,000</u> | <u>(7,000)</u> | <u>-</u> |
| Net change in Fund Balances | 12,847 | 3,110 | 15,957 |
| FUND BALANCES - beginning | <u>88,023</u> | <u>85,128</u> | <u>173,151</u> |
| FUND BALANCES - ending | <u>\$100,870</u> | <u>\$88,238</u> | <u>\$189,108</u> |

See accompanying notes and accountant's compilation report.

GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH
(A Component Unit of the Tangipahoa Parish Council)
Amite, Louisiana

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

| | |
|---|--------------------|
| Net change in fund balances - governmental funds (page 9) | \$15,957 |
| There were no differences in amounts reported for the governmental funds in the statement of activities. | <u> -</u> |
| Change in net assets of governmental activities (page 7) | <u>\$15,957</u> |

See accompanying notes and accountant's compilation report.

GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH
(A Component Unit of the Tangipahoa Parish Council)
Amite, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2003

INTRODUCTION

Gravity Drainage District No. 4 of Tangipahoa Parish (Drainage District), Amite, Louisiana, was created September 16, 1947, under the authority of Louisiana Revised Statutes 38:1751-1802. It was established for the purpose of opening and maintaining all natural drains in the district where drainage is accomplished using the natural force of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals. As provided by Louisiana Revised Statute 38:1758, the drainage district is governed by five commissioners. These five commissioners are jointly referred to as the board of commissioners and are appointed by the Tangipahoa Parish Council.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the district is considered a component unit of the Tangipahoa Parish Council. The Tangipahoa Parish Council is financially accountable for the Drainage District because it appoints the Drainage District board members and has the ability to impose its will on them. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the district. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The district's two funds, the general fund and capital projects fund, are classified as governmental type activities.

The statement of activities and changes in net assets demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from good, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements. The district has no proprietary funds.

Gravity Drainage District No.4 of Tangipahoa Parish

Notes to the Financial Statements
December 31, 2003

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The district reports the following governmental funds:

The General Fund is the entity's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The district has no business-type activities or enterprise funds.

Amounts reported as program revenues, if any, include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts. Amounts in time deposits and those investments with original maturities of 90 days or less are considered to be cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Gravity Drainage District No.4 of Tangipahoa Parish

Notes to the Financial Statements
December 31, 2003

D. Investments

Under state law, the district may invest in certificates of deposit. These are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value based on the sales price at December 31, 2003.

E. Inventories

The district uses the purchase method for accounting for expendable supplies whereby expenditures are recognized when the items are purchased. The district did not record any inventory at December 31, 2003.

F. Prepaid Items

The district did not record any prepaid items at December 31, 2003.

G. Capital Assets

Capital assets are reported in the governmental activity column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district maintains a threshold level of \$500 or more for capitalizing capital assets other than drainage systems. The threshold for capitalizing drainage systems is \$10,000 or more for each drainage system.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------|------------------------|
| Drainage systems | 25 |
| Canal maintenance equipment | 15 |
| Furniture and fixtures | 5 |

H. Compensated Absences

The Drainage District has no full-time employees; therefore, the district has no pension plan or vacation and sick leave policies.

I. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

Gravity Drainage District No.4 of Tangipahoa Parish

Notes to the Financial Statements

December 31, 2003

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. **BUDGETS**

The district uses the following budget practice:

The district adopts a budget for the General Fund on the modified accrual basis each year. The budget for fiscal year ended December 31, 2003, was adopted on November 25, 2002. The budget is monitored and amended as needed by the board of commissioners. The budget was amended on June 30, 2003, September 29, 2003, and on October 27, 2003. Unexpended budget balances lapse at year-end.

3. **LEVIED TAXES**

The following is a summary of authorized and levied ad valorem taxes for 2003:

| | |
|-------------------------------|--------------|
| Assessed valuation | \$23,036,400 |
| Authorized and Levied Millage | |
| General Fund | 4.0 |
| Capital Projects Fund | <u>1.0</u> |
| Total millage | <u>5.0</u> |
| Total tax levy | \$115,182 |

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Drainage District during the year and actually billed to taxpayers and become due in November. Billed taxes become delinquent on December 31 of each year. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The Tangipahoa Parish Sheriff bills and collects the property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish. The taxes are generally collected in December of the current year and January and February of the ensuing year.

4. **CASH AND CASH EQUIVALENTS/INVESTMENTS**

At December 31, 2003, the Drainage District had cash/investments (book balances) totaling \$85,218, as follows:

| | |
|--|-----------------|
| Cash and Cash Equivalents - Interest-bearing demand deposits | \$35,218 |
| Investments - Certificates of deposit, maturing over 90 days | <u>50,000</u> |
| Total | <u>\$85,218</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2003, the district had \$85,218 in deposits (collected bank balances) that are fully secured from risk by federal deposit insurance.

Gravity Drainage District No.4 of Tangipahoa Parish

Notes to the Financial Statements
December 31, 2003

5. **RECEIVABLES**

The following is a summary of receivables at December 31, 2003:

| <u>Class of Receivable</u> | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|----------------------------|---------------------|------------------------------|------------------|
| Ad valorem taxes | \$86,867 | \$21,717 | \$108,584 |
| State revenue sharing | 6,479 | - | 6,479 |
| Total | <u>\$93,346</u> | <u>\$21,717</u> | <u>\$115,063</u> |

6. **CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2003, are as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|--------------------------|------------------|------------------|-----------------------|
| Capital assets, being depreciated | | | | |
| Furniture and fixtures | <u>\$2,826</u> | <u>-</u> | <u>\$(482)</u> | <u>\$2,344</u> |
| Total capital assets, being depreciated | 2,826 | - | (482) | 2,344 |
| Less accumulated depreciation | <u>2,826</u> | <u>-</u> | <u>(482)</u> | <u>2,344</u> |
| Total capital assets, being depreciated, net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital assets, net | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

7. **LEASES**

The Drainage District has no capital leases or operating leases at December 31, 2003.

8. **SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**

This schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Effective July 1, 1992, Act 181 of the 1992 Regular Session of the Louisiana Legislature amended Act 19 to provide that board members shall be compensated as provided in R.S. 38:1794(B). The compensation paid to board members is \$100 for each day of attendance at meetings of the board, not to exceed 36 days each year.

| | <u>Year Ended</u> <u>December 31, 2003</u> | |
|-----------------|---|--------------------|
| | <u>Meetings Present</u> | <u>Amount Paid</u> |
| Salvador Genusa | 12 | \$1,200 |
| Anthony Lascaro | 12 | 1,200 |
| James Ricks | 12 | 1,200 |
| Arthur Leonard | 12 | 1,200 |
| Thomas Stevens | 10 | 1,000 |
| TOTAL | | <u>\$5,800</u> |

Gravity Drainage District No.4 of Tangipahoa Parish

Notes to the Financial Statements

December 31, 2003

9. LITIGATION AND CLAIMS / RISK MANAGEMENT

The Drainage District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Drainage District attempts to minimize risk from significant losses through the purchase of workers compensation insurance (includes contract workers) and a surety bond on the secretary/treasurer.

The Drainage District is involved in two separate litigations.

Gravity Drainage v. Woodson, Inc. - The Drainage District alleges that a bridge belonging to the district was damaged when Woodson, Inc. was trimming trees away from power lines for Entergy. The Drainage District is requesting that Woodson, Inc. pay for the entire cost to replace the bridge.

Legal correspondence with Nick Congemi - The Drainage District alleges that Mr. Nick Congemi has closed a natural drain that runs on his property. The Drainage District requests that Mr. Congemi reopen the natural drain.

10. RELATED PARTY TRANSACTIONS

There were no related party transactions.

11. SUBSEQUENT EVENTS

There were no subsequent events material to these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

GRAVITY DRAINAGE DISTRICT NO. 4
OF TANGIPAHOA PARISH
(A Component Unit of the Tangipahoa Parish Council)
Amite, Louisiana

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2003

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive(Negative)</u> |
|---|-------------------------|---------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Ad valorem taxes | \$78,000 | \$78,000 | \$ 89,777 | \$11,777 |
| Intergovernmental revenues: | | | | |
| State revenue sharing | 6,500 | 6,500 | 6,479 | (21) |
| Interest earnings | 100 | 100 | 342 | 242 |
| Total Revenues | <u>84,600</u> | <u>84,600</u> | <u>96,598</u> | <u>11,998</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries and related benefits | 5,370 | 4,650 | 4,527 | 123 |
| Compensation paid board members | 6,000 | 6,000 | 5,800 | 200 |
| Professional fees | 4,500 | 2,600 | 2,600 | - |
| Official journal | 1,000 | 1,685 | 1,487 | 198 |
| Office expense | 250 | 200 | 275 | (75) |
| Election expense | 10,000 | 9,927 | 9,927 | - |
| Statutory charges | 3,300 | 3,683 | 3,665 | 18 |
| Public works - drainage | <u>54,180</u> | <u>55,855</u> | <u>62,470</u> | <u>(6,615)</u> |
| Total Expenditures | <u>84,600</u> | <u>84,600</u> | <u>90,751</u> | <u>(6,151)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | 5,847 | 5,847 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in - Capital Projects Fund | <u>-</u> | <u>-</u> | <u>7,000</u> | <u>7,000</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | 12,847 | <u>\$12,847</u> |
| FUND BALANCES - BEGINNING | | | <u>88,023</u> | |
| FUND BALANCES - ENDING | | | <u>\$100,870</u> | |

See Accountant's report.

AGREED-UPON PROCEDURES



LEE GRAY
CERTIFIED PUBLIC ACCOUNTANT

601 COURTNEY DRIVE
P. O. Box 368
AMITE, LOUISIANA 70422

PHONE (985) 748-9067
FAX (985) 748-4370
E-MAIL: LEEGRAY@T-55.COM

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Gravity Drainage District No. 4
of Tangipahoa Parish
Amite, Louisiana

I have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Gravity Drainage District No. 4 of Tangipahoa Parish Council, a component unit of the Tangipahoa Parish Council, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Gravity Drainage District No. 4's compliance with certain laws and regulations during the year ended December 31, 2003, included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$20,000 or public works exceeding \$100,000 and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year that were subject to public bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

The Drainage District only has one employee. This employee is not an immediate family member of any of the board members.

Gravity Drainage District No. 4 of Tangipahoa Parish
Independent Accountant's Report
on Applying Agreed-Upon Procedures - continued

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the budget and all amendments.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held November 25, 2002. The budget amendments were traced to the minutes of the meetings on the following dates:

June 30, 2003
September 29, 2003
October 27, 2003

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by more than 5%.

I compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues fell within acceptable variances. However, actual expenditures exceeded budgeted amounts by 7.27%.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All of the payments appear to have been properly coded to the correct fund and general ledger account.

- c) determine whether payments received approval from proper authorities.

All of the payments were approved by the Board of Commissioners at their monthly meetings.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Drainage District is required to post a notice of each meeting and the accompanying agenda on the door of Amite City Hall. I examined documentation that such notices were posted.

Gravity Drainage District No. 4 of Tangipahoa Parish
Independent Accountant's Report
on Applying Agreed-Upon Procedures - concluded

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

The Drainage District has no debt.

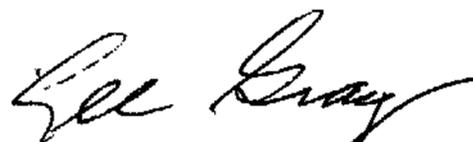
Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the district for the year indicated no approval for payments which may constitute bonuses, advances, or gifts. I also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of the Board of Commissioners of Tangipahoa Parish Gravity Drainage District No. 4, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

June 15, 2004

**LOUISIANA
ATTESTATION
QUESTIONNAIRE**

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)
_____ (Date Transmitted)

LEE GRAY, CPA

P.O. BOX 368

AMITE, LA 70422

(Auditors)

In connection with your compilation of our financial statements as of December 31, 2003 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.
Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

| | | | |
|---------------------------|-----------|-----------------|------|
| <u>Mary Lynn Thompson</u> | Secretary | <u>12-16-03</u> | Date |
| <u>Mary Lynn Thompson</u> | Treasurer | <u>12-16-03</u> | Date |
| <u>Salvador P. Gomez</u> | President | <u>12-16-03</u> | Date |

Note: If the engagement is for a routine compilation/attest that will be completed within six months of the entity's fiscal year-end and the CPA will submit either a Fax Approval Form or an Email engagement approval form to the legislative auditor, the space for the legislative auditor's approval may be omitted.

Gravity Drainage District No. 4 of Tangipahoa Parish

Summary Schedule of Prior Attestation Findings

For the Year Ended December 31, 2003

| <u>Ref. No.</u> | <u>Description of Finding</u> | <u>Corrective Action Planned</u> |
|-----------------|---|----------------------------------|
| 02 - 1 | Failure to provide two signatures when signing checks as required by the bank signature card. | Resolved. |

Gravity Drainage District No. 4 of Tangipahoa Parish
Corrective Action Plan for Current Year Attestation Findings
For the Year Ended December 31, 2003

| <u>Ref. No.</u> | <u>Description of Finding</u> | <u>Corrective Action Taken (Yes, No, Partially)</u> |
|-----------------|--|---|
| 03 - 1 | Failure to comply with the Local Government Budget Act. Actual expenditures exceeded budgeted expenditures by 7.27% | The Drainage District will comply with the Local Government Budget Act. |

Management's response by:

Salvador Genusa, President
 Gravity Drainage District No. 4
 of Tangipahoa Parish
 Amite, Louisiana 70422

Date submitted June 29, 2004

Auditee Salvador Genusa